

Message Text

CONFIDENTIAL

PAGE 01 OTTAWA 02219 01 OF 02 290014Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
HA-05 AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02
OPIC-03 LAB-04 SIL-01 OMB-01 DOE-15 SOE-02 /115 W
-----101806 290032Z /70

P 282356Z MAR 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC PRIORITY 7245
INFO AMCONSUL QUEBEC PRIORITY
AMCONSUL MONTREAL PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 OTTAWA 02219

EO 11652: GDS
TAGS: EGEN, CA
SUBJECT: CONVERSATIONS WITH PQ LEADERS

1. SUMMARY. IN ROUND OF CALLS APRIL 27 CONSUL GENERAL MCNAMARA AND I FOUND PQ LEADERS TEMPORARILY ELATED BY THEIR SALES TAX VICTORY OVER OTTAWA AND WELL-RECEIVED BUDGET, BUT LOSING MOMENTUM AND SENSE OF DIRECTION. CONFIDENCE IN THE REFERENDUM AS A MEANS TO SOVEREIGNTY IS EBBING, AND INTER-GOVERNMENTAL AFFAIRS MINISTER MORIN ADMITTED THAT THE PQ COULD NOT NOW WIN A REFERENDUM WITH A STRAIGHT QUESTION. PQ LEADERS REGARD NEGATIVE U.S. PUBLIC AND GOVERNMENT REACTION AS AN IMPORTANT OBSTACLE TO THEIR SUCCESS AND PLAN TO KEEP CAMPAIGNING TO SOFTEN IT, BUT WITH LITTLE HOPE. IN THIS CONNECTION I REITERATED SUPPORT FOR CANADIAN UNITY AND REASONING BEHIND IT. GOVERNMENT IS GOING FOR CLOTURE TO ACCELERATE ASBESTOS LEGISLATION, BUT APPEARS DETERMINED TO ACHIEVE BUY-IN OF US-CONTROLLED COMPANY BY AGREEMENT. QUEBEC WILL NOT PARTICIPATE IN JOINT US/CANADA ELECTRICITY EXCHANGES STUDY, BUT SUGGESTS THAT INCREASED POWER EXPORTS MIGHT BE AVAILABLE IN RETURN FOR USE OF EXCESS CAPACITY IN MONTREAL REFINERIES. END SUMMARY.
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 OTTAWA 02219 01 OF 02 290014Z

2. MET WITH PRIME MINISTER LEVESQUE, HOUSE LEADER BURNS, MINISTERS MORIN (INTER-GOVERNMENTAL AFFAIRS), PARIZEAU (FINANCE), JORON (ENERGY), BERUBE (NATURAL RESOURCES). ALSO SAW OPPOSITION LEADER LEVESQUE IN ABSENCE NEW LIBERAL PARTY LEADER RYAN.

3. POLITICAL OUTLOOK. DESPITE THE CURRENT HIGH OVER TRAPPING OTTAWA IN THE SORT OF PREEMPTIVE ACTION ON SALES TAX THE PQ HAS DENOUNCED FOR YEARS (AND GETTING THE BACK-ING OF ALL PROVINCIAL PARTIES ON THE ISSUE), LEVESQUE DESCRIBED THE POLITICAL OUTLOOK AS "MOROSE." THE PQ VICTORY HAD PRODUCED ENORMOUS EXPECTATIONS OF CHANGE IN QUEBEC SOCIETY, HE SAID, AND THE PARTY JUST COULDN'T DELIVER ON ALL OF THEM. NOR, APPARENTLY, DOES THE PQ EXPECT TO BE ABLE TO DELIVER MUCH MORE SOON. OTHER PQ LEADERS TOLD US THE ONLY NEW LEGISLATIVE INITIATIVE NOW FORESEEN FOR THE REST OF THE YEAR IS MEASURES PERTAINING TO AGRICULTURAL ZONING AND WORKERS' SAFETY. AMBITIOUS REFORMS IN ENERGY AND CULTURE ARE LIKELY TO BE PUT FORWARD IN WHITE PAPERS WITH NO REAL EFFORT TO IMPLEMENT. ECONOMIC STAGNATION, OPPOSITION FILIBUSTERING (WHICH GOVERNMENT HOPES TO OVERCOME BY INCREASED USE OF CLOTURE), EMERGENCE OF A STRONG NEW ADVERSARY IN LIBERAL PARTY CHIEF CLAUDE RYAN WERE ALL CITED TO US AS REASONS THE GOVERNMENT'S PROSPECTS HAD DIMMED. BUT CLEARLY RENEWED BICKERING WITH- IN THE PARTY LEADERSHIP BETWEEN ULTRAS AND MODERATES IS ALSO A FACTOR. MORIN NOTED THAT THE FACTIONS WERE SO FINELY BALANCED THAT LEVESQUE HADN'T BEEN ABLE TO SHUFFLE ANYBODY OUT OF HIS CABINET, AND THAT AT THE MOMENT THE BEST PQ CAN DO IS TO "HANG IN THERE."

4. REFERENDUM. LEVESQUE GAVE THE STANDARD ESTIMATE ON CONFIDENTIAL

CONFIDENTIAL

PAGE 03 OTTAWA 02219 01 OF 02 290014Z

TIMING: TOWARDS THE END OF 1979. BUT BURNS RAISED THE POSSIBILITY OF AN EARLIER DATE, WHICH SOME GOVERNMENT MEMBERS ARE SUGGESTING AS A MEANS OF GETTING OUT OF THE WAY AN EXERCISE MANY BELIEVE THE PQ CAN NO LONGER WIN. MORIN ACKNOWLEDGED THAT THE PQ COULD NOT WIN A REFERENDUM NOW ON A CLEAR CHOICE, AND SAID THAT A FUDGED QUESTION ABOUT NEGOTIATING FOR SOVEREIGNTY/ASSOCIATION "IS NOT THE ROAD TO INDEPENDENCE." MORIN SAID THAT THE PQ NOW COUNTS MAINLY ON "FEDERAL ERRORS" LIKE THE SALES TAX ISSUE TO GIVE IT THE BALANCE IN THE REFERENDUM. HE ACKNOWLEDGED THAT THE FEDERAL GOVERNMENT HAS SO FAR AVOIDED CONFRONTA- TION ON MOST ISSUES, AND SHOWN AN ABILITY TO COMPROMISE ON SOME SIGNIFICANT TNNs LIKE IMMIGRATION AND WELFARE FINANCING. BUT HE DOUBTS THAT OTTAWA WILL MAKE ANY MORE COMPROMISES AND CLAIMS THIS WILL PUT THE PQ ACROSS.

5. U.S. REACTION. LEVESQUE ACKNOWLEDGED THAT HE HAD MADE A MISTAKE IN HIS JANUARY 1977 ECONOMIC CLUB SPEECH BUT IS "LEARNING HOW TO DEAL WITH AMERICANS" BY EMPHASIZING THE POSITIVE (HIS CURRENT LINE IN THE U.S. IS THAT ALL THE PQ IS TRYING TO DO IS KEEP CANADA FROM FALLING APART, NOT TO SPLIT IT UP). LEVESQUE SPOKE GLOWINGLY OF HIS VISIT TO

HARVARD AND THE MASSACHUSETTS LEGISLATURE. MORIN, WHO SAID HE HAS BEEN TO THE UNITED STATES SIXTEEN TIMES SINCE COMING INTO OFFICE, CLAIMS TO BE MAKING HEADWAY WITH HIS AUDIENCES WITH THE SAME POSITIVE TACTIC. MORIN SAID THE PLAYBACK OF "DISTORTED" U.S. PRESS ACCOUNTS OF THE PQ ARE A "SIGNIFICANT LIABILITY FOR US" IN POLITICAL TERMS, WHICH THE PQ WILL MAKE A MAJOR EFFORT TO OVERCOME. I TOLD HIM I DIDN'T THINK THE PQ COULD DO SO, BECAUSE AMERICANS ARE PROFOUNDLY FEDERALIST BY DOCTRINE AND TAKE A FEDERALIST VIEW OF THEIR NEIGHBOR. THE U.S. GOVERNMENT TAKES THE SAME VIEW: THAT THE SPLIT-UP OF ONE OF THE WORLD'S MOST SUCCESSFUL DEMOCRACIES, AND A MAJOR POLITICAL AND MORAL FORCE IN THE WORLD, WOULD BE A MAJOR SETBACK FOR US.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 OTTAWA 02219 02 OF 02 290023Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
HA-05 AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02
OPIC-03 LAB-04 SIL-01 OMB-01 DOE-15 SOE-02 /115 W
-----101990 290035Z /70

P 292356Z MAR 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC PRIORITY 7246
INFO AMCONSUL QUEBEC PRIORITY
AMCONSUL MONTREAL PRIORITY

C O N F I D E N T I A L SECTION 02 OF 02 OTTAWA 02219

ALTHOUGH WE RECOGNIZE THAT QUEBEC NATIONALISM IS A PERMANENT PHENOMENON, WE BELIEVE IT CAN AND WILL BE ACCOMMODATED WITHIN THE LARGER FRAMEWORK OF CANADA. I ADDED THAT IT WILL NOT BE POSSIBLE FOR U.S. GOVERNMENT REPRESENTATIVES TO DISCUSS THE PQ'S OBJECTIVES AT THE STATE DEPARTMENT OR ELSEWHERE OUT OF CANADA, BUT THAT IT IS OF COURSE ALWAYS POSSIBLE FOR U.S. REPRESENTATIVES IN CANADA, AND PARTICULARLY THE CONSUL GENERAL IN QUEBEC, TO DO SO. MORIN SAID HE UNDERSTOOD THESE POINTS, HOPED THAT THE UNITED STATES WOULD EVENTUALLY TAKE A MORE FORTHCOMING VIEW TOWARDS THE QUEBEC INDEPENDENCE, BUT SAID THAT HIS OWN CONTACTS IN THE UNITED STATES GAVE HIM LITTLE GROUND FOR OPTIMISM. MORIN DENIED WISHING TO CONTACT AMERICAN REPRESENTATIVES IN WASHINGTON (SIC), AND SAID HE WOULD KEEP IN TOUCH WITH THE CONSULATE GENERAL IN QUEBEC.

6. ECONOMIC OUTLOOK. PARIZEAU ACKNOWLEDGED THAT HIS GROWTH ESTIMATE FOR THIS YEAR OF FOUR PERCENT WAS ON THE OPTIMISTIC SIDE. HE CITED THE EXTRAORDINARY HIGH SAVINGS RATE (WHICH HE ATTRIBUTED TO THE INSECURITY CAUSED BY HIGH LEVELS OF UNEMPLOYMENT MUCH MORE THAN TO INFLATION) AND DECLINING INDUSTRIAL INVESTMENT AS THE MAIN PROBLEMS TO BE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 OTTAWA 02219 02 OF 02 290023Z

OVERCOME. PARIZEAU SAID HE BELIEVED THAT DEVALUATION OF THE CANADIAN DOLLAR IS FINALLY HAVING ITS EFFECT, IF ONLY IN SHARPLY HIGHER PROFITS FOR EXPORT INDUSTRIES, AND SAID THIS MAY LEAD TO INCREASED INVESTMENT. HE IS OPTIMISTIC THAT QUEBEC WILL GET THE NEW GM ALUMINUM CASTINGS PLANT (OVER ONTARIO) AND NOTED ALCAN ALUMINUM'S MAJOR INVESTMENT PROGRAM BUT STILL COULD SEE NO REAL TAKEOFF IN SIGHT. I NOTED TO PARIZEAU THAT THE NEW YORK MARKET APPEARS TO BE READY ONCE AGAIN TO HANDLE A PUBLIC ISSUE FROM HYDRO-QUEBEC, SINCE THE CURRENT OPINION OF NEW YORK ANALYSTS IS THAT THE POTENTIAL FOR QUEBEC SEPARATION HAS MUCH RECEDED. PARIZEAU SAID THAT THIS CORRESPONDS TO HIS OWN INFORMATION.

7. ASBESTOS. LEVESQUE SAID HE WILL USE CLOTURE TO GET THE ASBESTOS LAW (WHICH THE OPPOSITION HAS BEEN FILIBUSTERING) OUT OF COMMITTEE. NATURAL RESOURCES MINISTER BERUBE WILL THEN SET UP THE PROVINCIAL ASBESTOS CORPORATION, WHILE PARIZEAU HANDLES THE NEGOTIATIONS WITH GENERAL DYNAMICS, WHICH HE EXPECTS TO TAKE MUCH OF THE YEAR. I TOLD THE PQ MINISTERS THAT THE U.S. REGRETS BUY-INS BY GOVERNMENTS INTO U.S. CORPORATIONS ESTABLISHED ABROAD, BUT RECOGNIZES THAT THEY DO OCCUR AND DOES NOT OBJECT WHERE FULL COMMERCIAL VALUE IS PAID AS A RESULT OF NEGOTIATION AND AGREEMENT. PQ MINISTERS REPLIED THAT IT IS THEIR INTENTION TO ACHIEVE THEIR OBJECTIVE BY NEGOTIATION AND AGREEMENT.

8. ELECTRICITY AND REFINERIES. JORON SAID THAT QUEBEC WOULD NOT PARTICIPATE IN THE JOINT US/CANADA ELECTRICITY STUDIES, WHICH IT BELIEVES WOULD PREJUDICE THE QUEBEC-HYDRO'S ABILITY TO NEGOTIATE ON ITS OWN WITH UNITED STATES UTILITIES. HOWEVER, QUEBEC IS VERY INTERESTED IN INCREASING ELECTRICITY EXPORTS TO THE UNITED STATES OVER AND ABOVE THE NEW 1380 MEGAWATT INTERRUPTIBLE POWER CONTRACT
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 OTTAWA 02219 02 OF 02 290023Z

WHICH THE NATIONAL ENERGY BOARD IS NOW CONSIDERING. JORON CLAIMED THAT THERE HAD BEEN SOME PROGRESS TOWARDS SETTLE-

MENT OF THE CHURCHILL FALLS ISSUE BUT THAT NEGOTIATIONS ARE
ONCE AGAIN HUNG UP BY A "SPLIT IN THE NEWFOUNDLAND CABI-
NET." ASSUMING THOSE MOVED AHEAD ONCE AGAIN, JORON
THOUGHT THAT AN AGREEMENT MIGHT BE WORKED OUT FOR THE
TRANSPORT OF ELECTRICITY ACROSS QUEBEC TOT HE UNITED
STATES, BUT INDICATED NO CHANGE IN THE TRADITIONAL QUEBEC
POSITION THAT HYDRO-QUEBEC BUY AT THE NEWFOUNDLAND BORDER
AND SELL AT THE AMERICAN BORDER. JORON SAID THAT ONE
MAJOR PROBLEM IN QUEBEC ENERGY POLICY IS OVERCAPACITY
(NOW RUNNING AT CLOSE TO 100,000 BARRELS A DAY) AT THE SIX
MONTREAL REFINERIES, A SITUATION WHICH HE EXPECTS TO BE
PERMANENT. QUEBEC WOULD BE WILLING TO OFFER INCREMENTAL
ELECTRICITY EXPORTS TO THE UNITED STATES IF THESE REFIN-
ERIES WERE USED FOR IN-BOND PROCESSING OF U.S. CRUDE.
SEPTEL ANALYZES THIS PROPOSAL.

9. COMMENT. ALTHOUGH WE MUST BE WARY ABOUT SIMPLY
EXTRAPOLATING THE PRESENT SITUATION INTO THE FUTURE, THERE
IS NO DOUBT THAT THE WORLD IS CLOSING IN ON THE PQ GOVERN-
MENT, AND ITS LEADERS ARE BEGINNING TO SHOW IT AND TALK
ABOUT IT. ENDERS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUDGETS, DIPLOMATIC DISCUSSIONS, PARTY LEADERS, TAXES, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978OTTAWA02219
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780183-0172
Format: TEL
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780316/aaaaanhw.tel
Line Count: 245
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9a2afebb-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08 jul 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3176629
Secure: OPEN
Status: NATIVE
Subject: CONVERSATIONS WITH PQ LEADERS
TAGS: EGEN, CA
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/9a2afebb-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014